

## Highlights

|        |   |
|--------|---|
| Global | <p><b>Global risk appetite appeared to be stabilizing further.</b> The S&amp;P500 notched out 0.7% gains and the UST bond yields are generally firmer across the board, despite a strong 2-year auction, albeit the 3-month to 10-year curve remained inverted. Crude oil prices also rose after Russia signalled its commitment to output cuts. Meanwhile, expectations are being raised for the upcoming US delegation to Beijing tomorrow for trade talks, as Lighthizer signalled his hopes for a deal. <b>Asian markets may trade on a firmer tone today</b>, as investors gradually overcome their ongoing wall of worry over the global growth slowdown, Brexit and US-China trade tensions. RBNZ is unlikely to rock markets today as the OCR is widely expected to be kept static and the statement may be virtually unchanged. In addition, watch for a series of “indicative” votes by the UK Parliament today on next steps for Brexit. For today’s economic data calendar, watch for US’ Jan trade data and China’s industrial productions for Feb. ECB’s Nowotny, Lautenschlaeger, Praet, Mersch, de Guindos and Villeroy are also dominating the airwaves today.</p>   |
| US     | <p><b>The US’ conference board consumer confidence unexpectedly sank from 131.4 in Feb to 124.1 in Mar</b>, with the present situation and expectations gauges both softened to 160.6 and 99.8 respectively, which suggests that growth momentum may dip further. Notably, while labour-market conditions slipped in Mar, the slump was in consumers’ assessment of business conditions. Meanwhile, housing starts also declined more than expected by 8.7% mom and building permits also fell 1.6% in Feb. <b>Fed’s Daly opined that “right now, appropriate policy is being patient</b>, and waiting to see what the data tell us about whether another adjustment on either side – up or down - is required” and “I think we’re in a stone’s throw of neutral”. Meanwhile, President Trump’s expected Fed nominee Stephen Mooire has opined that the Fed was wrong to raise rates in Sep and Dec 2018 and should immediate cut rates by 50bps.</p>   |
| SG     | <p>S’pore’s industrial production recovered slightly to rise 0.7% yoy (-4.1% mom sa) in Feb, after contracting 0.4% yoy in Jan 2019. This was slightly below our forecast of 2.3% yoy (-2.0% mom sa) but above the Bloomberg consensus forecast of -0.4% yoy (-2.6% mom). The bounce was due to a lower base in Feb 2018 (+6.7% yoy) as well as a lift in biomedical manufacturing whose output surged 13.3% yoy, due mainly to pharmaceuticals (+17.9% yoy) amid a different mix of active ingredients being produced. Electronics output continued to disappoint at -1.1% yoy in Feb, albeit a less severe contraction compared to the -4.0% yoy seen in Jan 2019. Excluding biomedical manufacturing, output actually fell 1.6% yoy (-0.1% mom sa) in Feb. Taking Jan and Feb together in view of the Chinese New Year festive holidays, industrial output rose just 0.1% yoy. We tip 1Q19 manufacturing at -0.5% yoy and GDP growth at 2.2% yoy.</p> <p>On the auction front, there is the \$2b re-opening of the 5-year SGS bond maturing on 1 Feb 2023 which closes at noon today. The last two 5-year actions fetched relatively strong bid-cover ratios of around 2.08-2.09x with cut-off yields ranging between 2.06-2.20%. There usually is decent support for this tenor but the current yield of around 1.9% after the recent rally may take some of the shine off.</p> |

## Major Markets

- **US:** Wall Street ended higher on Tuesday, with the S&P500 advancing 0.7%. The DJIA rose 0.6%, and the Nasdaq composite jumped 0.7%.
- **Singapore:** The STI gained 0.55% to close at 3200.28 yesterday but may tread water today amid weak morning cues from Kospi. Support and resistance are still tipped at 3182 and 3220. With the UST bond yields retracing 2-3bps higher overnight, still tilting lower and the yield curve steepening overnight amid the lingering market caution, SGS bonds may continue to sell off today as well.
- **Hong Kong:** Trade data surprised to the downside in February, mainly due to the different timing of Chinese New Year between this year and last year. Nevertheless, even if we take the first two months as a whole, exports and imports still dropped by 3.1% yoy and 5.0% yoy respectively. By country, imports from the two largest partners Mainland China and Taiwan plunged by 4.9% yoy and 10% yoy during the first two months of 2019. Exports to Mainland China (-4.5% yoy), the US (-12.4% yoy), India (-37.4% yoy), Japan (-6.9% yoy), Taiwan (-21.9% yoy) and Germany (-7.6% yoy) also slid notably during January to February. This suggests that the lingering trade tensions and faltering global growth have dented external demand despite US-China trade truce. Moving ahead, external demand is expected to remain subdued given the persistent decline in major economies' manufacturing PMI and the broad-based downward adjustment of 2019 GDP forecast. We will closely monitor the upcoming US-China trade talk.
- **Indonesia:** The government sold Rp24.95tn worth of bonds at yesterday's convention auction, which exceeded their target of Rp15tn. Interest continued to remain strong as they received Rp59.5tn worth of bids.
- **Commodities:** Russia Energy Minister Alexander Novak says the country is on course to meet its OPEC+ deal of 228k bpd production cuts, almost three months since the majority of OPEC+ members have complied with the supply curbs. Crude prices are being pulled in two directions at the moment – a tightening supply scenario from OPEC+, and a bleak macro outlook dampening demand. Price may remain range-bound for a while yet, with WTI expected to hover between \$55-\$62/bbl and Brent from \$62-\$70/bbl in the coming quarter.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors and belly trading within 1bps higher while the longer tenors traded 2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 458bps. 10Y UST yields rose 2bps to close the session at 2.42%, as the pullback across risky assets for the past two sessions eased with signs of stability and improving risk sentiment. The yield curve between the 3-month and 10-year treasury yields, however, was still inverted by approximately 4bps.
- **New Issues:** China Bright (Hong Kong) Ltd has priced a USD138mn 3-year bond (guarantor: Beijing Easyhome Investment Holding Group Co Ltd) at 6.5%, in line with the final guidance. NTPC Ltd has priced a USD450mn 5-year bond at CT5+155bps, tightening from IPT of +185bps area. Metro Holdings Ltd has priced a SGD165mn 5-

year bond at 4.3%, tightening from IPG of 4.5% area. GMR Hyderabad International Airport Ltd has scheduled investor meetings from 27 March for its potential USD bond issuance. CMT MTN Pte Ltd has scheduled investor meetings on 26 March for its potential USD 10-year bond issuance.

### Key Financial Indicators

#### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 96.736    | 0.18%    | <b>USD-SGD</b> | 1.3523    | 0.16%    |
| <b>USD-JPY</b> | 110.640   | 0.61%    | <b>EUR-SGD</b> | 1.5234    | -0.25%   |
| <b>EUR-USD</b> | 1.1266    | -0.41%   | <b>JPY-SGD</b> | 1.2223    | -0.44%   |
| <b>AUD-USD</b> | 0.7135    | 0.32%    | <b>GBP-SGD</b> | 1.7863    | 0.30%    |
| <b>GBP-USD</b> | 1.3212    | 0.13%    | <b>AUD-SGD</b> | 0.9649    | 0.49%    |
| <b>USD-MYR</b> | 4.0715    | 0.06%    | <b>NZD-SGD</b> | 0.9341    | 0.16%    |
| <b>USD-CNY</b> | 6.7157    | 0.09%    | <b>CHF-SGD</b> | 1.3597    | -0.04%   |
| <b>USD-IDR</b> | 14172     | -0.09%   | <b>SGD-MYR</b> | 3.0129    | 0.04%    |
| <b>USD-VND</b> | 23198     | -0.01%   | <b>SGD-CNY</b> | 4.9699    | -0.03%   |

#### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD Libor | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3680 | --     | <b>O/N</b> | 2.3894    | --     |
| <b>2M</b>  | -0.3360 | --     | <b>1M</b>  | 2.4898    | --     |
| <b>3M</b>  | -0.3100 | --     | <b>2M</b>  | 2.5624    | --     |
| <b>6M</b>  | -0.2280 | --     | <b>3M</b>  | 2.6088    | --     |
| <b>9M</b>  | -0.1940 | --     | <b>6M</b>  | 2.6730    | --     |
| <b>12M</b> | -0.1080 | --     | <b>12M</b> | 2.7458    | --     |

#### Fed Rate Hike Probability

| Meeting    | Prob Hike | Prob Cut | 1.75-2% | 2-2.25% | 2.25-2.5% |
|------------|-----------|----------|---------|---------|-----------|
| 03/20/2019 | 0.0%      | 4.1%     | 0.0%    | 4.1%    | 95.9%     |
| 05/01/2019 | 0.0%      | 23.9%    | 0.9%    | 23.1%   | 76.1%     |
| 06/19/2019 | 0.0%      | 31.7%    | 3.1%    | 28.5%   | 68.3%     |
| 07/31/2019 | 0.0%      | 54.0%    | 11.4%   | 41.5%   | 46.0%     |
| 09/18/2019 | 0.0%      | 58.3%    | 14.2%   | 41.9%   | 41.7%     |
| 10/30/2019 | 0.0%      | 69.2%    | 21.5%   | 41.8%   | 30.8%     |

#### Commodities Futures

| Energy                   | Futures        | % chg        | Soft Commodities        | Futures        | % chg        |
|--------------------------|----------------|--------------|-------------------------|----------------|--------------|
| WTI (per barrel)         | 59.94          | 1.9%         | Corn (per bushel)       | 3.7725         | -0.7%        |
| Brent (per barrel)       | 67.97          | 1.1%         | Soybean (per bushel)    | 9.008          | -0.6%        |
| Heating Oil (per gallon) | 1.9899         | 0.5%         | Wheat (per bushel)      | 4.6925         | -0.1%        |
| Gasoline (per gallon)    | 1.9557         | 0.9%         | Crude Palm Oil (MYR/MT) | 2,036.0        | -1.3%        |
| Natural Gas (per MMBtu)  | 2.7400         | -0.5%        | Rubber (JPY/KG)         | 177.7          | -1.4%        |
| <b>Base Metals</b>       | <b>Futures</b> | <b>% chg</b> | <b>Precious Metals</b>  | <b>Futures</b> | <b>% chg</b> |
| Copper (per mt)          | 6,340          | --           | Gold (per oz)           | 1,315.0        | -0.6%        |
| Nickel (per mt)          | 12,966         | --           | Silver (per oz)         | 15.371         | -0.9%        |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 25,657.73 | 140.90     |
| <b>S&amp;P</b>    | 2,818.46  | 20.10      |
| <b>Nasdaq</b>     | 7,691.52  | 53.98      |
| <b>Nikkei 225</b> | 21,428.39 | 451.28     |
| <b>STI</b>        | 3,200.28  | 17.36      |
| <b>KLCI</b>       | 1,649.94  | 0.79       |
| <b>JCI</b>        | 6,470.00  | 58.75      |
| <b>Baltic Dry</b> | 683.00    | -6.00      |
| <b>VIX</b>        | 14.68     | -1.65      |

#### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.91 (+0.01) | 2.27 (+0.02) |
| <b>5Y</b>  | 1.95 (+0.02) | 2.20 (+0.03) |
| <b>10Y</b> | 2.07 (+0.03) | 2.42 (+0.02) |
| <b>15Y</b> | 2.31 (+0.03) | --           |
| <b>20Y</b> | 2.38 (+0.03) | --           |
| <b>30Y</b> | 2.53 (+0.03) | 2.87 (+0.01) |

#### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>EURIBOR-OIS</b> | 5.07  | 0.06   |
| <b>TED</b>         | 35.36 | --     |

#### Secured Overnight Fin. Rate

|             |      |
|-------------|------|
| <b>SOFR</b> | 2.40 |
|-------------|------|

### Economic Calendar

| Date Time        | Event                              | Survey       | Actual | Prior     | Revised |
|------------------|------------------------------------|--------------|--------|-----------|---------|
| 03/26/2019 13:00 | SI Industrial Production SA MoM    | Feb -2.60%   | -4.10% | 0.90%     | 3.10%   |
| 03/26/2019 13:00 | SI Industrial Production YoY       | Feb -0.40%   | 0.70%  | -3.10%    | -0.40%  |
| 03/26/2019 16:30 | HK Exports YoY                     | Feb -2.40%   | -6.90% | -0.40%    | --      |
| 03/26/2019 20:30 | US Housing Starts                  | Feb 1210k    | 1162k  | 1230k     | 1273k   |
| 03/26/2019 20:30 | US Building Permits                | Feb 1305k    | 1296k  | 1345k     | 1317k   |
| 03/26/2019 21:00 | US FHFA House Price Index MoM      | Jan 0.40%    | 0.60%  | 0.30%     | --      |
| 03/26/2019 22:00 | US Richmond Fed Manufact. Index    | Mar 10       | 10     | 16        | --      |
| 03/26/2019 22:00 | US Conf. Board Consumer Confidence | Mar 132.5    | 124.1  | 131.4     | --      |
| 03/27/2019 09:00 | NZ RBNZ Official Cash Rate         | Mar-27 1.75% | --     | 1.75%     | --      |
| 03/27/2019 19:00 | US MBA Mortgage Applications       | Mar-22 --    | --     | 1.60%     | --      |
| 03/27/2019 20:30 | US Trade Balance                   | Jan -\$57.0b | --     | -\$59.8b  | --      |
| 03/27/2019 22:00 | US Current Account Balance         | 4Q -\$130.0b | --     | -\$124.8b | --      |

Source: Bloomberg

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|--|--|
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